

**HOUSING AUTHORITY OF GRANT COUNTY**  
**Grant County, Washington**  
**January 1, 1993 Through December 31, 1993**

---

**Schedule Of Findings**

---

1. The Housing Authority Should Obtain Required Surety Bonds

Our audit disclosed that during 1993, the housing authority failed to obtain a surety bond from a contractor as required by RCW 39.08.010. On July 10, 1993, the housing authority entered into a contract with Techmaster Industries, Inc., for the construction of stick-built homes. The housing authority made a deposit with the contractor in the amount of \$45,298. Subsequently, the contractor went bankrupt and failed to fulfill the contract.

RCW 39.08.010 states in part:

Whenever any . . . public body shall contract with any person or corporation to do any work for . . . public body, such . . . body shall require the person or persons with whom such contract is made to make, execute, and deliver . . . a good and sufficient bond, with a surety company as surety, conditioned that such person or persons shall faithfully perform all the provisions of such contract and pay all laborers, mechanics, and subcontractors and materialmen, and all persons who supply such person or persons, or subcontractors, with provisions and supplies for the carrying on of such work . . .

RCW 39.08.015 states in part:

If any board . . . transacting the business of any municipal corporation shall fail to take such bond as herein required, such . . . municipal corporation shall be liable to the persons mentioned in RCW 39.08.010, to the full extent and for the full amount of all such debts so contracted by such contractor.

This condition occurred because the housing authority relied on the good faith assurance of the contractor and its insurance company that a one hundred percent performance bond was applied for and would be obtained. Based on that representation, the housing authority entered into the contract before receiving actual evidence that the bond was executed. Due to the contractor's financial difficulties, the bond was never obtained.

We recommend that in future contracts the housing authority obtain proof of a contractor's surety bonding prior to entering into contracts that are subject to the bond requirement of RCW 39.08.010.